

Financial literacy: buying and selling investments

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Chapter 12: Buying and Selling Investments Sources of Investing Information

- Magazines - Forbes, Business Week, Fortune - News Magazines: Time, Newsweek, US News & World Report -Newspapers -Wall Street Journal and Barron's -Investor Newsletters -Standard & Poor's Stock Reports, Moody Investors Service, and Value Line Investment Survey -Company Reports - Annual Report -Prospectus -Internet - Bloomberg, CNNMoney, Kiplinger, Morningstar, Reuters Key Figures

Current Stock Price- amount investors are willing to pay for a share of ownership in the company -Number of Employees - Increases in the number of employees can reflect growth or downsizing -Market Cap - The total value of a company in the stock market - Revenue - amount of money received from business activities -Net Income or Profit - amount of money earned after deducting all the business's expenses -Profit Margin- profit shown as a percentage P/E Ratio - price-earning ratio compares the selling price of common stock to the annual profits per share - Current Ratio - measure of a company's ability to pay its current debts from current assets

Stockbrokers Full Service Brokers - qualified stock broker who provides advice about what securities to buy and sell. Discount Brokers - qualified stock broker who buys and sells securities at a reduced rate but only provides advice for a fee sometimes. Online Brokers - brokers that charge low fees with the least amount of service; no investment advice or management of assets and only sometimes research reports. Financial Planners an adviser who helps people make investment decisions to statedgoals

How are Financial Markets Designed? Primary Market - where IPOs or new issues of securities are sold usually directly from the company

Secondary Market - where previously issued securities are sold

Securities Exchange - are places for brokers to buy and sell securities for their clients

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Over the Counter Market - is a network of dealers and brokers who buy and sell securities not listed on an exchange
Direct Investing - involves buying securities directly from a corporation
Reinvesting - involves getting stock dividends instead of cash dividends

How are Stocks Bought and Sold? Set up an account Choose your venue (full-service, discount, online, bank, etc.). Provide ID. Access your account online. Make minimum or regular monthly deposit Place Transactions A market order is a request to buy or sell a stock at the current market price. A limit order is a request to buy or sell a stock at a specific price. A stop order is a request to sell a stock when it reaches a certain price. A discretionary order allows the broker to buy or sell a stock to get the best price.

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